3 Reasons Why Every Retiree Should Own Toronto-Dominion Bank

Description

If you're retired, or nearing retirement, then preserving your savings should be a top priority. Gone are the days of rolling the dice on speculative companies. Instead, you should be looking for solid business models and consistent earnings.

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Unfortunately, there aren't enough of those companies in Canada. Just look at what the oil price plunge is doing to our energy producers. And these kinds of storylines happen far too often in this country – the mining sector offers yet more examples.

But if you look hard enough, you will find suitable companies for any retirement portfolio. One of them is Canada's second largest company: **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Below are three reasons why retirees should hold the shares.

1. A fantastic track record

Back in 2002, TD Bank had an awful year, suffering nearly $3 billion in credit losses. But ever since then, the bank has been very well-managed. To illustrate, its stock price has tripled since the beginning of 2003, and paid plenty of dividends along the way too. No other large Canadian bank has been able to match that performance.

This performance wasn't achieved by taking outsized risk. In fact, the bank exited the subprime mortgage and structured product markets in the United States, well before the financial crisis. Such prudence saved shareholders billions of dollars.

Instead, the key to TD's performance is its ability to win over customers. If you don't believe me, JD Power has ranked TD first among Canada's big 5 banks for customer satisfaction for nine years in a row. As a result, TD's shareholders have been satisfied too.

2. A low-risk business model

This is an important point to make, because banks are not known to be safe investments. After all, just look at what happened in the United States six years ago (and Europe to this day). But TD is a little bit different. It thrives on being a retail bank, with only about 10% of profits coming from the riskier (and less transparent) wholesale division. The bank also has a culture that emphasizes risk management very strongly. Needless to say, TD does not want a repeat of 2002.

3. A strong dividend

Finally, TD has a dividend that any retiree should appreciate, currently yielding about 3.5%. By comparison, a 10-year government of Canada bond yields only about 2%.

Better yet, TD tends to raise its dividend very consistently. In fact, since 1970, the dividend has been raised 60 times and never been cut. It wasn’t even cut in 2002, nor during the financial crisis.

And TD currently pays out less than half of its income to shareholders. So there is plenty of room to raise the dividend further. What more could a retiree want?

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